

Outline With Northport Specifics The New, New York State Property Tax Cap

December 21, 2011

Dear Resident:

Northport Village's Tentative Budget for Fiscal Year 2012-2013 meets the capped percentage increase as determined under the new, New York State tax cap law.

The budget will be reviewed and discussed at a public hearing at Northport Village Hall, 224 Main Street, at 6:00 PM, Tuesday, January 3, 2012. The Tentative Budget is available on this website. The proposed tax rate increase is 4.22 percent.

The Tax Cap Law was typically publicized at the time of its passage as capping tax increases at 2 percent. However, unlike the common understanding that most of us had when it passed, the law actually leads to percentage increases that vary among municipalities. Also, because the cap formulas contain various adjustments and exclusions, and the resultant percentage is not directly applied to the Tax Rate, the actual percentage increase can be significantly higher than 2 percent. In Northport's case, the cap formulas lead to a cap of 4.22 percent on the increase in the Tax Rate.

The Northport Village Board of Trustees wants to make sure that anyone who wants to understand how the New York State law works will be provided with the information. I hope that the materials in this packet will help to explain how the law works and how it applies to Northport's specifics and your property taxes. A few links will provide you with more detailed information about the law. Please note that the regulations for municipalities are different than for school districts. These materials do not apply to the Northport-East Northport School District, which is a completely separate governmental entity.

Thank you,

Henry Tobin
Deputy Mayor and Commissioner of Finance,
Village of Northport, NY

Index

<u>Item</u>	<u>Page</u>
Background Information	3
<i>The 2% Tax Cap and Your Property Tax—Not As Straight-Forward As One Might Think</i> This is a step-by-step explanation and demonstration that applies the 2% tax cap formula To Northport.	4
<i>Formula for Determining Tax Levy Limit</i> Handout From the New York State Office of the State Comptroller that provides the formula that calculates the local government Tax Levy Limit using the levy base, adjustments, and Exclusions. This is the formula used in the demonstration on page 1.	5
The Village of Northport's Tax Base Growth Factor as specified by New York State.	6
<i>Four Step Pension Exclusion Calculation – Example</i> From the New York State Office of the State Comptroller that provides the formulas and factors that calculate the exclusion values provided by New York State.	7
<i>Pension Exclusion Calculator</i> New York State Calculator worksheet provided to the Village of Northport.	8
<i>Recapitulations, Village of Northport 2012-2013 Tentative Budget.</i> Provides the values in the current, Tentative Budget as presented by the Village Treasurer to the Village Clerk and presented in turn by the Clerk to the Board of Trustees.	9

Background Information

Page 4 of the packet steps you through the application of the law to Northport. Here is some information that may make that material more clear.

Your Property Tax and the Tax Rate

In order to determine how much Property Tax to charge each owner, the Board of Trustees first determines what the total budget for the Village will be. Then, to determine how much of the budget must be paid for with property taxes, all other sources of revenue are subtracted from the total budget. This amount, called the (Real Property) Tax Levy, is then divided by the Village Assessed Value, which is the sum of the Assessed Values of all the taxable properties. The result of this division gives the Tax Rate: the amount of each property's Assessed Value to be collected in order to meet the Village's budget.

The Tax Rate and the New York State Property Tax Cap Law

The procedure for figuring the Tax Rate described above does not change under the NYS Property Tax Cap. What is new is:

- (1) Determining what percentage increase in the (Real Property) Tax Levy—not the Tax Rate--conforms with the Tax Cap Law,
- (2) Pre-reporting to the New York State Office of the State Comptroller whether the municipality expects to exceed the capped increase and what it expects will be the amount of the Tax Levy.
- (3) That the municipality, by a 60% approval vote of its board, may vote to give itself the authority to exceed the tax cap but must do so before it adopts the budget. (Although the Village's Tentative Budget does stay within the capped percentage increase, upon the advice of the New York State Conference of Mayors, the Board of Trustees voted unanimously to so empower itself following a public hearing on Tuesday, December 20th, just as a safeguard against any changes or corrections issued by the State.

Here is a summary of how the Tax Cap works and how a 2% cap translates into a 4.22% increase in the tax rate.

1. It is not a simple 2%. The Tax Cap law includes formulas for adjustments and exclusions that are applied to:
 2. The Tax Levy—not the Tax Rate. Therefore, the direct effect is to control the increase in the overall amount of property taxes a municipality takes in from the prior year to the coming year ("prior year" means prior to the fiscal year to which the cap will be applied—really, the current fiscal year). It only indirectly affects the tax to be paid by an individual property owner. The Property Tax and Tax Rate calculations are described above. Following are the adjustments and exclusions.

- Tax Base Growth Factor: The State's "determination of "quantity change," such as new construction, newly taxable status of existing property, or measurable improvements to taxable property within the boundaries of the local government or school district."
- Allowable Levy Growth Factor: "Lesser of 1.02 or inflation factor (percent change in CPI for the 12 month period ending 6 months before the start of the coming fiscal year over the prior 12-month period), but never lower than 1.00."
- Payments in Lieu of Taxes (PILOTS): This is compensation paid to a municipality, when an entity like a utility, non-profit, or corporation, etc., is exempted from some or all payments of property taxes or sales taxes, and so on. Northport does not receive PILOTS; it receives other types of payments from utilities.
- Transfers of government functions. When one local government stops providing a community with a function like police, fire, sewer service, and another local government begins to provide that service.
- Payment of court orders/judgments when these result from tort actions. Only the amount of the payment that comes out of the tax levy, and that exceeds 5% of the tax levy, is considered.
- Pension exclusion. A portion of costs can be excluded. Specific values are provided by New York State.

These adjustments and exclusions result in the amount of the capped Tax Levy.

Links: http://www.schodack.org/docs/LevyxTax_Rate.pdf
<http://www.brockportny.org/pdf/finance/NY-Property-Tax-Cap-info.pdf>
<http://www.osc.state.ny.us/localgov/realprop/pdf/legislationsummary.pdf>
<http://www.osc.state.ny.us/localgov/realprop/pdf/parta-chapter97.pdf>
<http://www.nysac.org/policy-research/documents/NYSACPropertyTaxCapReport3.pdf>

THE 2% TAX CAP AND YOUR PROPERTY TAX--NOT AS STRAIGHT-FORWARD AS ONE MAY THINK.
According to New York State Law, The 2% Cap For Northport Means A 4.22% Increase In The Tax Rate.

Part I: The Tax Cap – Calculations and Totals

- A. The 2% Property Tax Cap is not a cap on each taxpayer's tax bill. It is a cap on the increase in the Real Property Tax Levy.
- B. The total Village budget for Fiscal Year (FY) 2011-12 was \$12,663,899; part of that, \$2,814,839, was revenue received from non-property tax sources. The balance, \$9,849,060, constituted the Village's Real Property Tax Levy.
- C. A simple 2% Real Property Tax Cap would mean an increase in the Tax Levy of \$196,981.20, giving a levy capped at \$10,046,041.20.

HOWEVER:

- D. The 2% Real Property Tax Cap is figured with various adjustments.
- E. Here is how it is really figured, using numbers specific to Northport:

Tax Levy Limit (Cap) Before Adjustments and Exclusions		
1. Tax Levy FYE 02/28/2012		9,849,060
2. Tax Base Growth Factor	x	1.0095 *
		<u>9,942,626</u>
3. PILOTS receivable in prior Fiscal Year (FY 2011 - 2012)	+	\$0
		<u>\$9,942,626</u>
4. Allowable Levy Growth Factor	x	1.0200 **
		<u>10,141,479</u>
5. PILOTS receivable in the coming Fiscal Year (FY 2012 - 2013)	-	\$0
6. Total Levy Limit Before Adjustments/Exclusions =		<u>10,141,479</u>
Adjustments for Transfer of Local Government Functions		
7. Costs incurred from transfer of local government functions	+	\$0
8. Savings realized from transfer of local government functions	-	\$0
9. Total Adjustments		<u>\$0</u>
6. Total Levy Limit Before Adjustments/Exclusions =	+	<u>10,141,479</u>
		<u>10,141,479</u>
10. Tax Levy Limit, Adjusted for Transfer of Local Government Functions		
Adjustments for Exclusions		
11. Tax Levy necessary for expenditures resulting from tort orders/ judgements over 5% Fiscal Year End 02/28/2012 tax levy	+	\$0
12. Tax levy necessary for pension contribution expenditures caused by growth in the system average actuarial contribution rate (ERS; PFRS) or normal contribution rate (TRS) in excess of 2 percentage points: ***		
a. State and Local Employees' Retirement System (ERS)	+	13,634
b. Police and Fire Retirement System (PFRS)	+	55,585
c. Teachers' Retirement System (TRS)	+	0
13. Total Exclusions		<u>69,219</u>
17. Tax Levy Limit, Adj. for Transfer of Local Gov't Functions		<u>10,141,479</u>
14. Tax Levy Limit, Adjusted for Transfers And Exclusions		<u>10,210,698</u>

F. But in everyday language, the Real Property Tax Cap for Northport is 3.67%:

Adjusted Tax Levy Limit:	10,210,698	
Minus the 2011-12 Tax Levy:	<u>9,849,060</u>	
Capped \$ Increase Per NY State:	361,638	and, as 361,637.59 is 3.67% of 9,849,060.

The actual NYS "capped" increase in the Tax Levy is 3.67 %.

But Your Property Tax Is Based On The Tax Rate.

Part II: The Capped Tax Levy, The Tax Rate, And Your Property Tax – Calculations and Totals

- A. The total amount to be raised in property taxes (the Real Property Tax Levy) is shared by property owners in proportion to the assessed values of their properties. Here is how it works:

		FY 2012-13 <i>At Cap Level</i>	FY 2011-12 <i>Current Year</i>
The Tax Rate is The Property Tax Levy Divided By The Village Assessed Value.	Real Property Tax Levy at the Capped Level:	10,210,698	9,849,060
	Divided by the Village Assessed Value:	<u>17,897,028</u>	<u>17,991,834</u>
	Tax Rate:	0.5705	0.5474

Thus, the actual % increase from FY 2011-12 to 2012-13 in the Tax Rate at the NYS Tax Cap Level is 4.22%.

- B. Your Property Tax is the Assessed Value of your property times the Tax Rate.

* The State's "determination of "quantity change," such as new construction, newly taxable status of existing property, or measurable improvements to taxable property within the boundaries of the local government or school district."

** Allowable Levy Growth Factor is "Lesser of 1.02 or inflation factor (percent change in CPI for the 12 month period ending 6 months before the start of the coming fiscal year over the prior 12-month period), but never lower than 1.00."

*** Pension exclusion values provided to Northport Village by New York State.

New York State Office of the State Comptroller

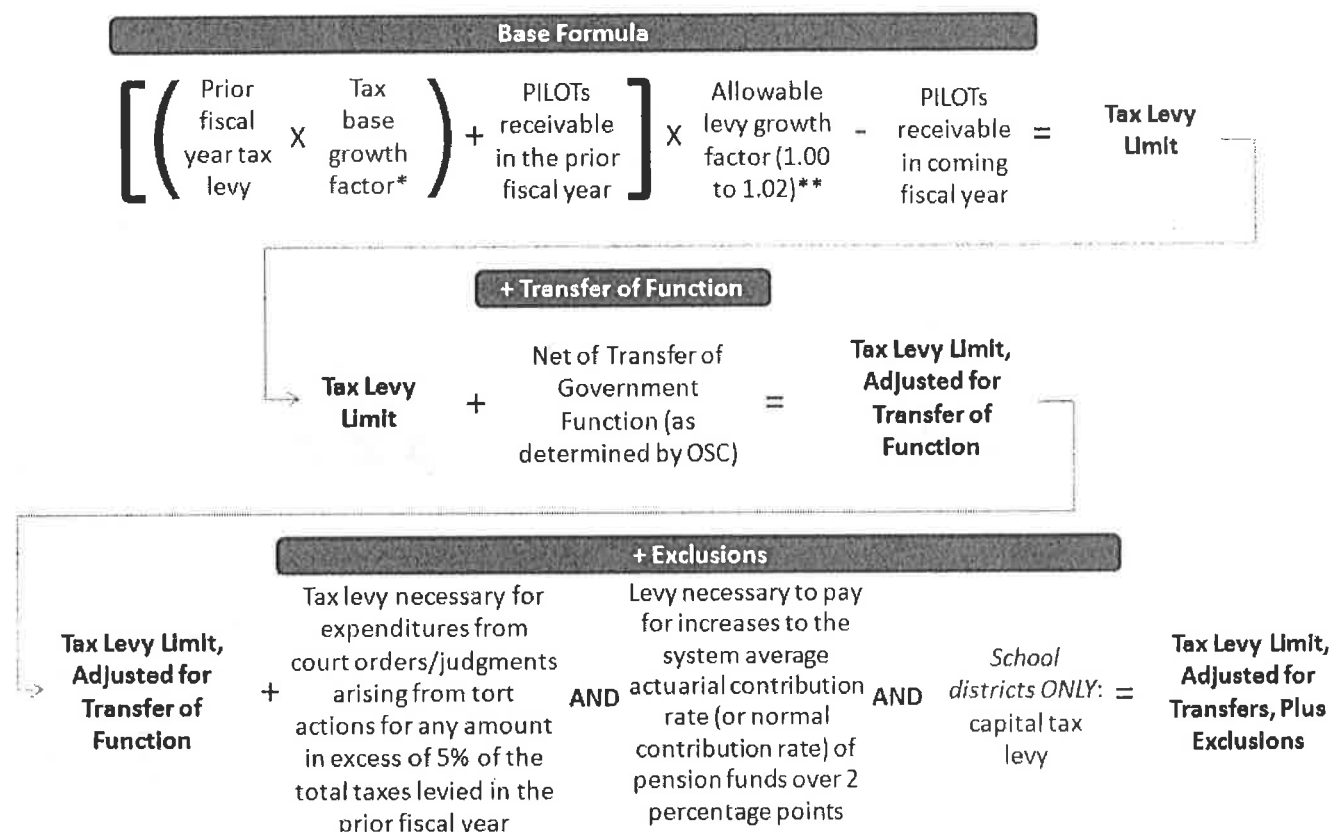
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Property Tax Cap

Formula for Determining Tax Levy Limit

Formula for determining a local government's tax levy limit under the cap
(Chapter 97 of the Laws of 2011):



* Tax base growth factor: Based on Tax and Finance determination of "quantity change," such as new construction, newly taxable status of existing property, or measurable improvements to taxable property within the boundaries of the local government or school district.

** Allowable levy growth factor: Lesser of 1.02 or inflation factor (percent change in CPI for the 12 month period ending 6 months before the start of the coming fiscal year over the prior 12-month period), but never lower than 1.00.

Calculator Worksheet and Numbers Provided to Northport Village by New York State

9/16/2011

Tax Base Growth Factors for Villages for Fiscal Years Starting in 2012

County & Village	Tax Base Growth Factor
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Village of Islandia	1.0011
Village of Lake Grove	1.0023
Village of Lindenhurst	1.0005
Village of Lloyd Harbor	1.0084
Village of Mastic Beach	1.0031
Village of Nissequogue	1.0101
Village of North Haven	1.0208
Village of Northport	1.0095
Village of Ocean Beach	1.0061
Village of Old Field	1.0011
Village of Patchogue	1.0144
Village of Poquott	1.0064
Village of Port Jefferson	1.0025
Village of Quogue	1.0155
Village of Sag Harbor	1.0000
Village of Sagaponack	1.0461
Village of Saltaire	1.0108
Village of Shoreham	1.0152
Village of Southampton	1.0261
Village of Village Of The Branch	1.0059
Village of West Hampton Dune	1.0033
Village of Westhampton Beach	1.0104

Sullivan County

Village of Bloomingburgh	1.0372
Village of Jeffersonville	1.0000
Village of Liberty	1.0101
Village of Monticello	1.0000
Village of Woodridge	1.0021
Village of Wurtsboro	1.0000

Tioga County

Village of Candor	1.0011
Village of Newark Valley	1.0000
Village of Nichols	1.0000
Village of Owego	1.0019

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Property Tax Cap

Four Step Pension Exclusion Calculation - Example

Step
1

Determine the change in the system average actuarial contribution rate for each of the major pension systems (ERS, PFRS) or normal contribution rate (TRS). The following example is based on the rate for ERS.

16.3%
(SFY 11-12)
Sys. average

—

18.9%
(SFY 12-13)
Sys. average

=

2.6

Percentage points
difference

Step
2

If the annual growth in the contribution rate is greater than 2 percentage points, the amount above 2 percentage points is the portion of the associated salary base that may be excluded.

2.6

% point diff.

—

2.0

Local
responsibility not
excludable

=

.6

Excludable portion

Step
3

Multiply the excludable portion by the associated salary base (e.g. the salary base for your ERS employees in this example).

0.6%
Excludable
portion

×

Salary
Base

=

Excludable
amount

Step
4

Add excludable amount to the
base levy limit.

(Note: Exclusions increase the amount of taxes you are allowed to levy)

Pension Exclusion Calculator

Salary Base for bill to be paid in 2012:*

State and Local Employee Retirement System (ERS)

2,272,383

Police and Fire Retirement System (PFRS)

2,526,576

Teachers Retirement System (TRS)

Available from the Retirement System through a secure online application. For access to the Retirement System Employer Projection and Rates (EPR) Application, email RTempSer@asc.state.ny.us or call Beth Wicks at 518-479-9236 or Patricia Fingel at 518-486-3921.

Fall 2012 TRS payments will be based on actual July 1, 2011 - June 30, 2012 salary base. The TRS system does not provide projections of this base.

Excludable Percentage:

State and Local Employee Retirement System (ERS)

0.60%

Police and Fire Retirement System (PFRS)

2.20%

Teachers Retirement System (TRS)

See "System Avg Annual Contrib Rates" Tab for data.

Pension Exclusion:

ERS

13,634

PFRS

55,585

TRS

*NOTE to Calendar Year LGs: Please use the salary base applicable to the bill you will pay in calendar 2012. If, like most entities, you will pay your 2012-13 bill in December 2012, use the salary base projections for SFY 2012-13, available in the online application mentioned above. If, like a few, you will be paying your 2011-12 pension bill in February 2012, you would use the SFY 2011-12 estimated salary base you received on your August 2011 Estimated Bill.

Calculator Worksheet and Numbers Provided to Northport Village by New York State

INCORPORATED VILLAGE OF NORTHPORT**Recapitulations****March 1, 2012 - February 28, 2013**

		<u>TOTAL</u> <u>2012-2013</u>	<u>TOTAL</u> <u>2011-2012</u>
General Government Support	(1000-1999)	1,881,841	1,800,974
Education	(2000-2999)	-	-
Public Safety	(3000-3999)	4,186,126	4,110,627
Health	(4000-4999)	2,000	2,000
Transportation	(5000-5999)	961,913	1,009,275
Economic Assistance and Opportunity	(6000-6999)	3,000	3,000
Culture and Community Service	(7000-7999)	330,720	322,712
Home and Community Service	(8000-8999)	1,572,944	1,444,708
Employee Benefits	(9000-9499)	3,674,269	3,010,077
Interfund Transfer	(9500-9699)	14,500	-
Debt Service	(9700-9799)	909,256	960,525
Total Appropriations		13,536,569	12,663,899
Less: Estimated Revenue		3,325,871	2,814,839
Less: Estimated Cash Surplus		-	-
Less: Pro Rata Tax on Former Exemptions		-	-
Balance to be raised by taxes		<u>10,210,698</u>	<u>9,849,060</u>
Village Assessed Value		<u>17,897,028</u>	<u>17,991,834</u>
Tax rate per \$100 of Assessed Value		<u>0.5705</u>	<u>0.5474</u>
Tax Increase over prior year		<u>361,638</u>	<u>667,300</u>
Increase in Tax Rate per \$100 of Assessed Value		<u>2.31</u>	<u>3.06</u>
% Increase		<u>4.22%</u>	<u>5.92%</u>